

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Voluntary - Public

Date: 1/20/2011

GAIN Report Number: CB1101

Caribbean Basin

Post: Miami ATO

Tourism Increases Demand for U.S. Foods

Report Categories:

Market Development Reports

Export Accomplishments - Other

Promotion Opportunities

Approved By:

Katherine Nishiura

Prepared By:

Omar Gonzalez

Report Highlights:

Caribbean tourism is on the rise and so are U.S. food exports to the region. With very little agricultural production, more tourists to feed, and greater tourist revenues to purchase imports, Caribbean demand for U.S. foods has increased by 5 percent in 2010 (January-November). As tourism continues to improve and the small island economies regain their strength, opportunities for U.S. suppliers will continue to gradually improve as well. As a whole, the Caribbean Basin (including Cuba) is the 7th largest export market for U.S. consumer-oriented foods.

General Information:

Caribbean^{1/} demand for imported agricultural products, particularly for consumer-oriented foods, is fairly stable given that domestic farm output is generally insufficient to satisfy demand. Nonetheless, certain factors can have an effect on the region's ability to import food products. Tourism, for one, has an impact on food imports in the Caribbean, perhaps more so than in any other region of the world. When tourist inflows increase, a domino effect takes place across the small, service-oriented economies of the region. Not only do more tourists equate to more food demand by the tourists themselves, but they also generate greater economic activity throughout the islands, increasing the purchasing power of the 3.8 million local inhabitants in the process. With more money in their pocketbooks, islanders are able to augment their food purchases in both retail and food service establishments as well. The reverse takes place when tourist inflows dip. This correlation between tourism and food imports is especially significant for the United States, which supplies over 50 percent of the tourists to the Caribbean and has an estimated 58 percent share of the Caribbean market for imported agricultural products.

Following five years of double-digit expansion, growth in U.S. exports of consumer-oriented products to the Caribbean slowed to 4.8 percent in 2009. A slumping world economy, which reduced tourist inflows to the Caribbean, was a significant factor contributing to the reduced demand for U.S. foods. However, the situation is slowly beginning to improve. The following table shows the change in some key tourist indicators during 2010.

Key Caribbean Tourism Statistics

	2009 (Jan-Aug)	2010 (Jan-Aug)	% Change
Tourist Arrivals	15,752.6	16,556	5.1
USA	7,988.7	8,595.8	7.6
Canada	1,910.6	1,958.4	2.5
Europe	3,462.0	3,316.6	-4.2
Other	2,399.6	2,685.2	11.9
Occupancy	64.7%	65.5%	1.3
Revenue Per Available Room	\$102.7	\$108.81	6.0

Source: Derived from data contained in Caribbean Tourism Organization's Tourism Overview – First 3 Quarters 2010.

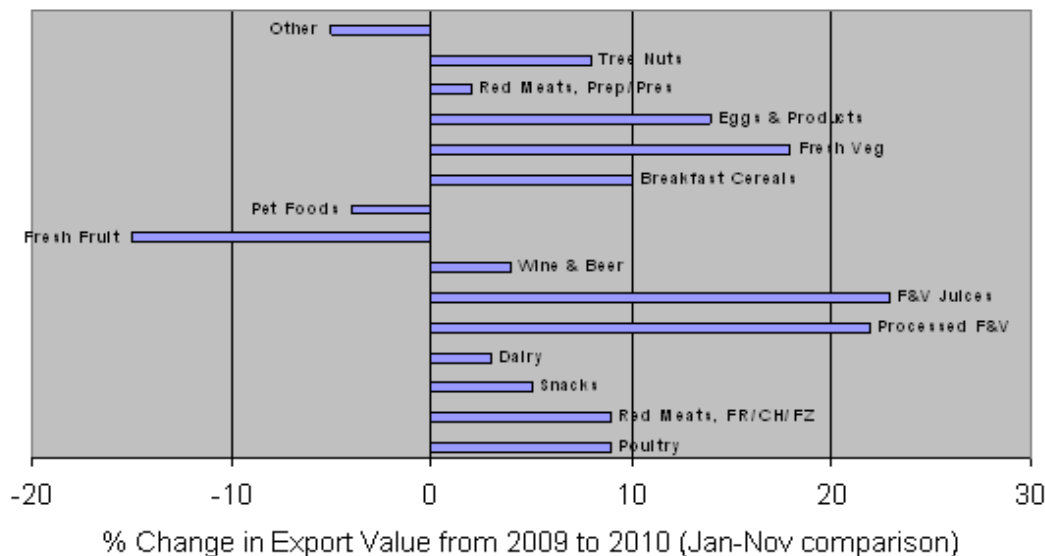
1/ - For purposes of this report, and unless otherwise noted, the term "Caribbean" refers to the Caribbean Basin Agricultural Trade Office's (CBATO) islands of coverage: Anguilla, Antigua and Barbuda, Aruba, The Bahamas, Barbados, Bermuda, British Virgin Islands, Caribbean Netherlands (Bonaire, Sint Eustatius, Saba), Cayman Islands, Curaçao, Dominica, Grenada, Guadeloupe, Martinique, Montserrat, Saint Barthélemy, Saint Kitts and Nevis, Saint Lucia, Saint Martin, Saint Vincent and the Grenadines, Sint Maarten, Trinidad and Tobago, and Turks and Caicos Islands.

The United States, which accounts for approximately 52 percent of stop-over tourist arrivals to the

region, is seeing economic conditions slowly improve. U.S. tourists are beginning to travel to nearby Caribbean destinations in greater numbers. The same holds true for Canadian travelers. As a result, U.S. and Canadian airlines are adding capacity and increasing flight frequency to several Caribbean destinations. On the other hand, many European economies remain sluggish and tourist arrivals from Europe continue to slump. All in all, stop-over tourist arrivals increased by 5.1 percent during the first 8 months of 2010, helping to boost economic activity in the region.

There are also other indications that Caribbean tourism is beginning to turn the corner. After coming to a near standstill in 2008 and 2009, new hotel construction projects are showing signs of regaining traction. Projects in St. Lucia and in the Turks and Caicos Islands are underway and a large project is being planned in Barbados as well. Saint Vincent and the Grenadines is investing \$240 million in a new airport, which it hopes will attract new hotel investment and greatly boost its tourism revenues. Moreover, Airone, a new regional airline based in Barbados, has announced plans to initiate operations in the short term. Wendy's/Arby's International will also be developing 24 new Wendy's restaurants over the next 10 years in Trinidad and Tobago and 8 other Eastern Caribbean markets, with the first scheduled to open in Trinidad in 2011. All of these positive signs indicate economic recovery in the Caribbean may be underway.

U.S. Exports of Consumer-Oriented Products to the Caribbean, by Product Category



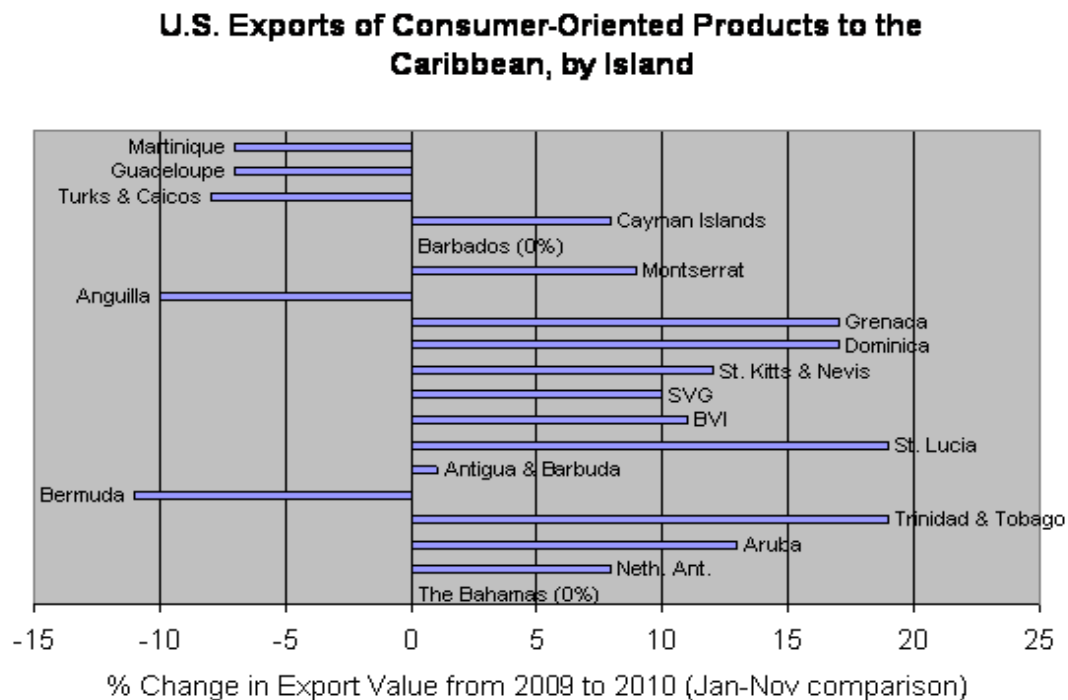
Source: Derived from U.S. trade data from Dept. of Commerce, U.S. Census Bureau.

This upswing in Caribbean tourist activity is already beginning to have an effect on exports of U.S.

foods to the region. Preliminary data indicate that U.S. exports of consumer-oriented products, which normally account for roughly 60 percent of total U.S. agricultural exports to the Caribbean, have increased by 5 percent in 2010 both in terms of volume and value. While this level of overall growth is relatively unchanged when compared to 2009, most product categories are experiencing growth and many are either near or at double digit expansion.

Unfortunately, economic recovery has not taken hold to the same degree in all islands and exports of U.S. consumer-oriented products have seen mixed results in the region thus far in 2010.

Approximately two thirds of the islands have experienced more tourist activity and consequently improved economic activity, while the remainder continue to struggle. This has contributed to the fact that U.S. exports of consumer-oriented products to some islands have yet to pick up in 2010.



Source: Derived from U.S. trade data from Dept. of Commerce, U.S. Census Bureau.

Overall U.S. food exports to the Caribbean continue to grow, albeit modestly, and opportunities for U.S. suppliers are becoming more plentiful. Preliminary estimates from the IMF indicate the broad Caribbean region experienced a 2.4 percent increase in real GDP in 2010 and will possibly grow by 4.3 percent in 2011. Although growth in Caribbean demand for consumer-oriented foods is expected to be moderate in 2011, U.S. suppliers may seek to capitalize on this renewed expansion.

